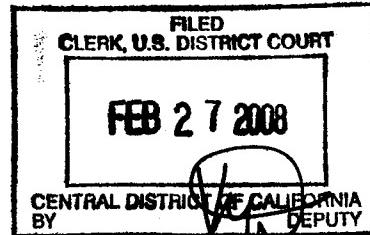


1 BLECHER & COLLINS, P.C.  
2 MAXWELL M. BLECHER (State Bar No. 26202)  
3 E-mail: mblecher@blechercollins.com  
4 DONALD R. PEPPERMAN (State Bar No. 109809)  
5 E-mail: dpepperman@blechercollins.com  
5 17<sup>th</sup> Floor  
6 515 South Figueroa Street, 17<sup>th</sup> Floor  
7 Los Angeles, California 90071-3334  
8 Telephone: (213) 622-4222  
9 Facsimile: (213) 622-1656

10 Attorneys for Plaintiffs  
11 VERO SOFTWARE, INC.  
12 VERO REAL ESTATE SOLUTIONS, LLC



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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

VEROS SOFTWARE, INC., a  
California Corporation, both in its  
individual capacity and derivatively  
on behalf of Real Party-In-Interest  
VEROS REAL ESTATE  
SOLUTIONS, LLC, a Delaware  
Limited Liability Company,

Plaintiffs,

vs.

FIRST AMERICAN  
CORPORATION, a California  
Corporation; FIRST AMERICAN  
REAL ESTATE SOLUTIONS, L.P., a  
Delaware Limited Partnership;  
FIRST AMERICAN REAL ESTATE  
SOLUTIONS, LLC, a California  
Limited Liability Company, and  
VEROS REAL ESTATE  
SOLUTIONS, LLC, a Delaware  
Limited Liability Company (Nominal  
Defendant),

Defendants.

) CASE NO. SACV 06-1130 JVS (Anx)

} PROPOSED VERIFIED SECOND  
AMENDED COMPLAINT SEEKING  
DAMAGES AND EQUITABLE  
RELIEF FOR:

- 1) ATTEMPTED  
MONOPOLIZATION IN  
VIOLATION OF SECTION 2 OF  
THE SHERMAN ACT; AND
- 2) DIVESTITURE FOR VIOLATION  
OF SECTION 7 OF THE  
CLAYTON ACT

1 Plaintiff VERO Software, Inc. ("VEROS SW") directly, and  
2 derivatively on behalf of Plaintiff VERO Real Estate Solutions, LLC  
3 ("VEROS RES") (collectively "Plaintiffs") complains and alleges as follows:

4 I.

5 **JURISDICTION AND VENUE**

6 1. Count One of this Second Amended Complaint is an action to  
7 recover damages pursuant to Section 4 of the Clayton Act (15 U.S.C. § 15)  
8 and to secure injunctive relief pursuant to Section 16 of the Clayton Act (15  
9 U.S.C. § 26) for Defendants' violations of Section 2 of the Sherman Act (15  
10 U.S.C. § 2.) Count Two is an action seeking divestiture and other  
11 equitable relief pursuant to Section 16 of the Clayton Act (15 U.S.C. § 26)  
12 for Defendants' violations of Section 7 of the Clayton Act (15 U.S.C. § 18).

13 2. This Court has original jurisdiction over the federal antitrust claims  
14 pursuant to 28 U.S.C. § 1337 and 28 U.S.C. § 1331. Venue is proper in  
15 this District pursuant to 15 U.S.C. § 15(a) and 28 U.S.C. § 1331(b)(1)-(3),  
16 (c). Each Defendant transacts business and is found within the District of  
17 California, Southern Division. The derivative claims are brought pursuant  
18 to Fed. R. Civ. P. 23.1

19 3. For purposes of the derivative action claims, Plaintiff VERO SW  
20 had a 70% stock ownership interest in Plaintiff VERO RES at the time  
21 Defendants' unlawful practices were committed.

22 4. This action is not a collusive one and is not brought for the  
23 purpose of conferring jurisdiction on a district court of the United States  
24 which it would not otherwise have.

25 5. Plaintiff VERO SW as a corporation and the record holder of a  
26 majority 70% ownership interest in VERO RES, will fairly and adequately  
27 represent the interests of the owners in enforcing the rights, and seeking  
28 equitable relief and damages, on behalf of VERO RES. Defendant First

1 American Real Estate Solutions, LLC ("FARES LLC") owns the remaining  
2 30% interest in VEROS RES.

3       6. Prior to filing this action, VEROS SW did not seek to secure the  
4 agreement of the Management Committee of VEROS RES to involve it in  
5 litigation. From the time of the formation of VEROS RES through the filing  
6 of this lawsuit, the Management Committee consisted of two  
7 representatives from VEROS SW and one representative from FARES  
8 LLC. VEROS SW's representatives are Darius Bozorgi and Bijan Bozorgi,  
9 respectively, its Chief Executive Officer and Chief Financial Officer.  
10 FARES' Management Committee representative was George Livermore,  
11 who was the President of Defendants FARES LLC and First American Real  
12 Estate Solutions, L.P. ("FARES LP"), and later became the Group  
13 President of the Property Services Group of First American Corporation  
14 ("FIRST AMERICAN"). Mr. Livermore was actively involved in the wrongful  
15 conduct alleged herein, as well as the unlawful acquisitions/mergers. The  
16 Operating Agreement for VEROS RES requires that any litigation brought  
17 by VEROS RES must first be authorized through the unanimous written  
18 consent of both of its members. Since the only two members are VEROS  
19 SW and Defendant FARES LLC, Plaintiffs assert that it would have been  
20 futile to seek the written consent of FARES LLC to initiate this litigation. In  
21 addition, there exists reasonable doubt that Defendant FARES LLC is  
22 disinterested and independent, or that the anticompetitive and unlawful  
23 acts alleged herein were the product of a valid exercise of business  
24 judgment. It was not reasonable to expect that FARES LLC would consent  
25 to suing itself. Significantly, Defendant FARES LLC and FARES LP filed a  
26 Cross-Complaint against VEROS SW and VEROS RES on or about  
27 December 20, 2006, in California Superior Court. Defendant FIRST  
28 AMERICAN is also named as a Cross-Complainant. Further, a demand to

1 the Management Committee at this stage for VERO RES to file suit on its  
2 own would have been futile because Defendants have already expressed  
3 their antagonism to this derivative action by previously unsuccessfully filing  
4 a motion before this Court to dismiss the Complaint. Moreover, Plaintiffs  
5 have repeatedly made efforts, through written and oral communications, to  
6 inform Defendants of the ultimate facts giving rise to each cause of action  
7 set forth herein. This litigation is necessary to protect the interests of  
8 VERO RES and to obtain redress for the injuries it has suffered by  
9 reason of Defendants' conduct.

11.

## **NATURE OF THE ACTION AND TRADE AND COMMERCE**

12        7. This case arises from Defendants' attempted monopolization of  
13 the national market for Automated Valuation Models ("AVMs") (the  
14 "national AVM market") and acquisition of at least two substantial  
15 competitors in that market: BASIS100 Inc. ("BASIS100") and CoreLogic  
16 Systems, Inc. ("CORELOGIC".) AVMs are collateral risk assessment  
17 computer tools that assess the value of residential real estate accurately,  
18 efficiently, and effectively in order to facilitate real estate transactions.  
19 Many of these AVMs are bundled and sold to end users through resellers  
20 in the lucrative national AVM market.

21        8. Defendant FIRST AMERICAN is a preeminent data provider for  
22 AVMs in the national AVM market, Fidelity National Information Services  
23 being its only recognizable competitor. FIRST AMERICAN's dominant  
24 market position in the data industry allows it to control how and when data  
25 is delivered to AVM users and gives FIRST AMERICAN the first  
26 opportunity to process that data before releasing it to competitors. In this  
27 way, FIRST AMERICAN exercises great control over what information is  
28 processed by participants in the national AVM market.

1       9. Further, Defendants FIRST AMERICAN, FARES LP and FARES  
2 LLC have also developed a successfully-marketed system ostensibly  
3 designed to allow resellers and end users of AVMs to test the accuracy  
4 and reliability of the AVMs they utilize. This allows Defendants to exercise  
5 great control over industry perception of the accuracy of their AVM  
6 products. Simply put, by controlling both the data and the testing,  
7 Defendants set themselves up to appear to prevail in any comparison of  
8 AVM products.

9       10. VEROS SW was a developer of innovative AVMs. In May 2004,  
10 FARES LLC enticed VEROS SW to enter into a Joint Venture and  
11 Contribution Agreement ("Joint Venture Agreement") to create a separate  
12 limited liability company, VEROS RES, ostensibly to facilitate and increase  
13 the volume of sales of VEROS SW's products in the national AVM market.  
14 At the time, VEROS SW believed Defendants' representations made  
15 during negotiations that VEROS SW would benefit greatly from the efforts  
16 of Defendants' robust sales force.

17       11. Accordingly, in reliance on those misrepresentations, VEROS  
18 SW transferred its contracts, reseller customer lists, assets, properties,  
19 rights, services, and interests constituting the provision of AVM reports, to  
20 VEROS RES. Defendant FARES LP then entered into an exclusive written  
21 Redistribution Agreement (the "Redistributor Agreement") with VEROS RES  
22 to redistribute VEROS RES' products to resellers.

23       12. These Agreements were primarily negotiated by FIRST  
24 AMERICAN and FARES LLC through FARES' Group Executive Vice  
25 President of Business Development, Jerald Hoerauf and FARES LLC's  
26 President, George Livermore, and FIRST AMERICAN's Property  
27 Information Services Group President, Dennis Gilmore, with Plaintiff  
28 VEROS SW's management.

1       13. At the time the Agreements were negotiated, Plaintiffs were led  
2 to believe that the Agreements were intended to create a mutual beneficial  
3 business relationship between VEROS RES and FARES LP, to facilitate  
4 VEROS SW's joint venture with FARES LLC, and most importantly to  
5 increase the output of VEROS SW's AVMs in the national AVM market.

6       14. However, unbeknownst to Plaintiff, Defendants intended to use  
7 the Agreements in conjunction with subsequent acquisitions of two other  
8 major participants in the national AVM market to monopolize the national  
9 AVM market by restricting output of VEROS SW's higher-quality AVMs,  
10 and stifling and eliminating competitive innovation.

11      15. Only a few weeks after FARES LP signed the Redistributor  
12 Agreement, Defendants first disclosed to VEROS SW and VEROS RES  
13 that Defendants had already been planning to acquire BASIS100, an  
14 industry pioneer which sold competitive products and services, and  
15 occupied a significant percentage share of the national AVM market. The  
16 acquisition of BASIS100 flouted the asserted purpose of the Redistributor  
17 Agreement because it gave FARES LP an incentive to promote only  
18 BASIS100 products and to restrict output of VEROS RES' AVM products.  
19 FIRST AMERICAN/FARES acquired 100% of the equity of BASIS100  
20 through a cash payment of approximately \$30 million to holders of  
21 BASIS100 common stock, warrants and options. Additionally, FIRST  
22 AMERICAN was to redeem outstanding BASIS100 convertible debentures  
23 for a cash payment of approximately \$11 million. The acquisition was  
24 expected to result in significant cost synergies that would result in total pre-  
25 tax earnings of \$10 million on an annualized basis. The acquisition was  
26 completed on September 8, 2004. FIRST AMERICAN publicly reported  
27 that its acquisition of BASIS100 made "First American the nation's largest  
28 provider of AVMs."

1       16. More importantly, the acquisition of BASIS100, in combination  
2 with Defendants' own preexisting market share and the newly executed  
3 Redistribution Agreement, which significantly controlled redistribution of  
4 VEROS RES' products, gave Defendants control of a significant  
5 percentage of the national AVM market. Defendants used their market  
6 share and the Redistribution Agreement to attempt to monopolize the  
7 national AVM market by restricting output of VEROS RES' advanced  
8 products, and in essence placing it on a shelf.

9       17. In furtherance of its attempt to monopolize the national AVM  
10 market, Defendant FIRST AMERICAN also acted to, and did, acquire  
11 CORELOGIC which occupied a unique market position that enabled  
12 CORELOGIC to largely determine the placement of AVMs in popular  
13 cascade programs that run and compare a series of preselected AVMs to  
14 ensure reliable valuations. The acquisition of CORELOGIC gave FIRST  
15 AMERICAN control of at least 50% of the national AVM market and  
16 allowed it to exclude innovative AVMs, including VEROS RES' AVMs, from  
17 CORELOGIC's popular cascade programs. In fact, from the time that  
18 FIRST AMERICAN announced its intention to acquire CORELOGIC,  
19 CORELOGIC began to artificially elevate the placement of Defendants'  
20 AVMs within the popular cascade programs to the detriment of VEROS  
21 RES' competitive AVM products. In January 2007, FIRST AMERICAN  
22 merged its FARES LP division, a part of its FARES LLC subsidiary, with  
23 CORELOGIC. In 2006, FARES LP and CORELOGIC generated  
24 approximately \$252 million and \$74 million in revenues, respectively. The  
25 new combined company, First American Core Logic, is 82% majority  
26 owned by FIRST AMERICAN through its FARES LLC joint venture with  
27 Experian Group Limited. Mr. Livermore was appointed CEO and/or  
28 President of First American Corelogic. FIRST AMERICAN owns 80% of

1 FARES LLC and Experian owns 20%. CORELOGIC's stockholders,  
2 comprised of its management team and TA Associates, hold an 18%  
3 economic interest FIRST AMERICAN CORELOGIC. The merger thus far  
4 was FIRST AMERICAN's largest transaction in a series of analytic  
5 company strategic acquisitions. As part of that transaction, in addition to  
6 the Class A shares, CORELOGIC's stockholders received cash  
7 consideration of \$100 million.

8       18. By securing through acquisition at least 50% of the national  
9 AVM market, controlling the selection of AVMs inputted into  
10 CORELOGIC's and FIRST AMERICAN's cascade programs, and by using  
11 the exclusive Redistributor Agreement against VEROS RES to keep it out  
12 of the market, Defendants acted to restrict output of VEROS RES' AVM  
13 products in an effort to drive VEROS RES out of business (or weaken  
14 VEROS SW and/or VEROS RES to make them an easy target of  
15 Defendants' acquisition efforts) all with the intent to monopolize the  
16 national AVM market and flood that market with lower-quality AVMs.

17       19. Had Plaintiff VEROS SW known that Defendants planned a  
18 series of strategic acquisitions of AVM competitors and made various  
19 misrepresentations in connection with the formation of the joint venture,  
20 VEROS SW would not have entered into the VEROS RES arrangement,  
21 transferred its AVM products and contracts to VEROS RES, or entered into  
22 the exclusive Redistributor Agreement with Defendant FARES LP.  
23 Instead, VEROS SW would have remained a viable competitor impacted  
24 and injured by Defendants' antitrust violations alleged herein.

25       20. Plaintiffs now seek to recover their losses arising from  
26 Defendants' attempted monopolization, and to prevent any further attempts  
27 by Defendants to monopolize the national AVM market and to force

28

- 1 Defendants to divest their interests in BASIS100 and/or CORELOGIC to
- 2 restore competition in the market.

三

## THE PARTIES

5        21. Real Party-In-Interest and nominal defendant VERO RES, is,  
6 and at all times mentioned herein was, a limited liability company  
7 organized and existing under the laws of the State of Delaware and doing  
8 business in Orange County, California. VERO RES licenses and  
9 distributes sophisticated predictive technology models which allow decision  
10 makers within the mortgage industry (such as credit risk assessors at  
11 lending institutions) to assess the value of residential real estate accurately  
12 and efficiently. VERO RES provides state of the art software and data  
13 products designed to deliver reliable decision management solutions.  
14 VERO RES is located at 2333 N. Broadway, Santa Ana, California  
15 92706.

16        22. Plaintiff VERO SW in both its individual capacity, and  
17 derivatively on behalf of real party-in-interest VERO RES, asserts the  
18 claims herein. VERO SW is a corporation organized and existing under  
19 the laws of the State of California and doing business in Orange County,  
20 California. VERO SW specializes in developing sophisticated predictive  
21 technology software, including but not limited to, its AVMs for residential  
22 real estate. VERO SW licenses to VERO RES the predictive  
23 technology which VERO RES distributes and markets. VERO SW is  
24 the record holder of an approximately 70% majority ownership interest in,  
25 and is a member of, VERO RES. VERO SW brings this action both  
26 directly and derivatively on behalf of VERO RES.

27        23. Defendant FIRST AMERICAN is a corporation organized and  
28 existing under the laws of the State of California and doing business in

1 Orange County, California. Its corporate headquarters are located at 1  
2 First American Way, Santa Ana, California 92707. FIRST AMERICAN is a  
3 Fortune 500 company and is the largest data and business information  
4 provider in the United States. FIRST AMERICAN's total revenues were  
5 approximately \$8.5 billion in 2006. FIRST AMERICAN has in excess of  
6 550 subsidiaries. FIRST AMERICAN serves as a preeminent data provider  
7 for AVMs throughout the United States, and is a controlling member of  
8 FARES LLC.

9       24. Defendant FARES LP is, and at all times mentioned herein,  
10 was a limited partnership, organized and existing under the laws of the  
11 State of Delaware and doing business in Orange County, California. Its  
12 headquarters are located at 4 First American Way, Santa Ana, California  
13 92707. FARES LP is the nation's largest provider of property and  
14 ownership information, analytics and services. FARES LP, and its parent  
15 FIRST AMERICAN, claim to be the number one supplier of AVMs in the  
16 United States. FARES' database covers more than 3,000 counties  
17 representing over 95% of the nation's real estate transactions. FARES  
18 LLC is the general partner of FARES LP, and each of these entities exerts  
19 influence over the other. FIRST AMERICAN is the parent company of  
20 FARES LP and exerts control over FARES LP's actions with respect to the  
21 Redistributor Agreement it entered into with VEROS RES -- the entity  
22 created as part of FARES LLC's and VEROS SW's joint venture.  
23 Defendant FIRST AMERICAN characterizes FARES LP as "a member of  
24 the FIRST AMERICAN Family of Companies." FARES LP is in the  
25 business of marketing and promoting AVMs to resellers for use by financial  
26 institutions and other mortgage loan purchasers. After its merger with  
27 CORELOGIC in January 2007, the new combined entity is now known as  
28 First American CoreLogic.

1       25. Defendant FARES LLC is, and at all times mentioned herein  
 2 was, a limited liability company, organized and existing under the laws of  
 3 the State of California, and doing business in Orange County, California.  
 4 Its headquarters are located at 4 First American Way, Santa Ana,  
 5 California. FARES LLC is the general partner of FARES LP. FIRST  
 6 AMERICAN is the parent company of FARES LLC. FIRST AMERICAN is  
 7 a member of FARES LLC, and holds a controlling interest therein, and  
 8 FIRST AMERICAN dictates and controls FARE LLC's actions with respect  
 9 to FARES LLC's joint venture with VERO SW. Defendant FIRST  
 10 AMERICAN characterizes FARES LLC as "a member of the First American  
 11 Family of Companies." FARES LLC was formed in approximately 1997.

12                          **IV.**

13                          **CAUSES OF ACTION**

14                          **COUNT ONE**

15                          **(Section 2 of the Sherman Act)**

16                          **ATTEMPTED MONOPOLIZATION**

17       26. Plaintiffs hereby incorporate by reference each and every  
 18 allegation contained in Paragraphs 1 through 25 of this Second Amended  
 19 Complaint as though fully set forth herein.

20       27. Count One of this Second Amended Complaint is brought  
 21 pursuant to Section 2 of the Sherman Act (15 U.S.C. § 2) alleging that  
 22 Defendants, through the use of predatory or exclusionary conduct and a  
 23 series of strategic acquisitions, have specifically intended to monopolize  
 24 the national market for AVM products and services. There also exists a  
 25 dangerous probability that Defendants will successfully monopolize the  
 26 AVM market.

27       28. The relevant geographic market in this case is the United  
 28 States as a whole. The relevant product market is the business of

1 developing and selling AVM products and services. There may also exist  
2 separate and distinct relevant submarkets for the sales of AVM products to  
3 resellers and direct to end users.

4       29. The development and sale of AVM products and services are in  
5 and directly affect interest commerce. The antitrust violations alleged  
6 herein have had, and unless restrained by the Court, will continue to have  
7 the effect of substantially suppressing, distorting, eliminating and  
8 interfering with competition in the AVM market in the flow of interstate  
9 commerce.

10      30. Defendants specifically planned, among other things, to use  
11 FARES LP's exclusive license to limit the redistribution of VEROS RES'  
12 AVMs through resellers in order to reduce competition in the national AVM  
13 market. Defendants misleadingly disparaged VEROS RES' products to  
14 resellers and incentivized FARES LP's sales personnel to promote  
15 Defendants' own inferior products (including BASIS100 products) over  
16 VEROS RES' valuation reports and services. Defendants' instructed their  
17 technical support staff to construct the AVM cascade, and the placement of  
18 VEROS RES' AVM products in such cascades, in a discriminatory manner  
19 such to limit, reduce, and/or exclude the sales and utilization of VEROS  
20 RES' AVMs through the cascades. Defendant FIRST  
21 AMERICAN/CORELOGIC offered its testing system, fueled with its own  
22 data, to increase Defendants' dominance of the national AVM market by  
23 setting up FIRST AMERICAN's testing system to create a false impression  
24 that Defendants' AVMs produce more accurate reports than other AVMs,  
25 such as those offered by VEROS RES. Defendants used these strategies  
26 to restrict the output of innovative AVMs in the national AVM market and to  
27 position themselves to monopolize that market.

28

1       31. Defendants were able to use the Redistributor Agreement to  
2 strengthen their marketing power because the Agreement granted FARES  
3 LP an exclusive license to redistribute VEROS RES' products to resellers  
4 with only two exceptions. The Redistributor Agreement permitted VEROS  
5 RES to solicit resellers directly only where (a) FARES LP elected to forego  
6 entering into an agreement with a reseller or vice versa, or (b) marketplace  
7 conditions existed that required VEROS RES to be the coordinator of an  
8 agreement with a given redistributor. However, the Redistributor  
9 Agreement made clear that even under either of these exceptional  
10 circumstances, FARES LP retains control of the conditions of any  
11 agreement VEROS RES wishes to make with a reseller, and can thus  
12 make any such agreement impractical.

13       32. Once Defendants locked up VEROS RES into the exclusive  
14 Redistributor Agreement and acquired the assets of BASIS100,  
15 Defendants began in earnest to market and promote Defendants' products  
16 over VEROS RES' AVMs. Defendants accomplished this by, among other  
17 things, encouraging FARES LP's sales personnel to misrepresent to  
18 resellers that Defendants products were superior to VEROS RES' goods  
19 and services and to "push" Defendants' AVM products by, among other  
20 things, manipulating testing data to create a false impression of  
21 performance. Subsequently, Defendants proceeded to discriminatorily  
22 manipulate the placement of VEROS RES AVMs within Defendants'  
23 cascades.

24       33. Because FARES LP had an exclusive license to redistribute  
25 VEROS RES' products, VEROS RES could not actively market its own  
26 products to resellers without FARES LP's approval. Instead, VEROS RES  
27 acted in good faith and turned over its active resellers to FARES LP.  
28 However, to VEROS RES' surprise, FARES LP failed to solicit and sell

1 VEROS RES' products to new resellers. In fact, VEROS RES soon began  
 2 to receive calls from resellers wanting to resell VEROS RES' products.  
 3 These resellers stated that FARES LP would not return their calls and  
 4 strongly discouraged the use of VEROS RES' products. FARES LP  
 5 deliberately and unreasonably delayed and hindered VEROS RES' ability  
 6 to sell its products to interested resellers who approached VEROS RES in  
 7 order to drive VEROS RES' products out of the national AVM market.  
 8 Despite FARES LP's unreasonable actions, VEROS RES remained true to  
 9 the Redistributor Agreement by refraining from actively marketing its  
 10 products to resellers who did not approach VEROS RES themselves.

11       34. FARES LP's delay in authorizing VEROS RES to enter into any  
 12 agreements with resellers anticompetitively restricted the output of VEROS  
 13 RES' products and caused VEROS RES' sales to languish. It was  
 14 Defendants' intention both before and after the Redistributor Agreement  
 15 was signed, not to sell VEROS RES' products as promised and  
 16 contemplated by VEROS SW.

17       35. Defendants performed all the actions alleged herein with the  
 18 specific intent to monopolize the national AVM market by driving out  
 19 competition from VEROS RES' AVMs.

20       36. Defendants engaged in predatory or anticompetitive conduct  
 21 directed toward accomplishing their unlawful purpose of attempting to  
 22 monopolize the national AVM market by:

23               (a) deliberately failing to disclose to Plaintiffs, Defendants'  
 24 intention to acquire the assets of BASIS100;  
 25               (b) obtaining for FARES LP the exclusive Redistributor  
 26 Agreement to redistribute VEROS RES' products that FARES LP intended  
 27 to improperly use, and used, to restrict, reduce or retard sales of VEROS  
 28 RES' AVM products;

(c) acquiring BASIS100 after locking VEROS RES into the  
Redistributor Agreement that was exclusive in form and practice;

(d) failing to perform (or encouraging FARES LP not to perform) its payment obligations under the Redistributor Agreement thereby depriving Plaintiffs of cash reserves which Plaintiffs could have used to develop and/or improve competitive AVM products;

(e) acquiring CORELOGIC on or about January 31, 2007 in order to further stifle innovation and further dominate the national AVM market by controlling the preselection and ordering of AVMs inputted into CORELOGIC's popular cascade programs;

(f) continuing to use the exclusive Redistributor Agreement after the BASIS100 and CORELOGIC acquisitions to restrict VERO RES' access to and penetration of the market; and

(g) refusing to continue to sell and supply data to VEROS RES.

37. Defendants' actions as alleged herein have created a dangerous probability that Defendants will successfully monopolize the national AVM market as Defendants already occupy at least 50% of that market. FIRST AMERICAN now has sales distribution of AVMs to approximately 600,000 users.

38. Further, Defendants undertook the actions as alleged herein, knowing that significant and high barriers to market entry would prohibit would-be developers of innovative, high-quality AVMs, akin to those produced by VERO SW, from entering the national AVM market. These barriers to entry include, among other things:

(a) a substantial up-front capital investment required to penetrate the national AVM market;

(b) a significant lead time in developing and testing AVM programs before introduction;

11        39. To succeed in the national AVM market, a company pushing an  
12 innovative, higher-quality product would first have to invest significant  
13 financial resources to develop a superior AVM. That company would also  
14 need to have access to and the ability to scrub enormous amounts of data  
15 -- the majority of which is controlled by FIRST AMERICAN -- to ensure the  
16 accuracy of its AVM. A potential entrant would then need to successfully  
17 test run the AVM over several years before it could develop sufficient  
18 credibility among end users and resellers in the national AVM market.  
19 Until a new AVM product is proven over the course of 2 to 5 year time  
20 period, an entrant could not hope to develop a track record and enough  
21 momentum to profitably market a new high-quality AVM.

22        40. Significant barriers to expansion also exist in the national AVM  
23 market because its current structure leaves only a handful of smaller  
24 companies like VEROUS RES to produce innovative AVMs. Over time,  
25 Defendant FIRST AMERICAN and a handful of other large corporations  
26 with significant market share have come to dominate the industry by  
27 acquiring smaller, more innovative developers of superior, higher-quality  
28 AVMs. The unfortunate result has been that innovation has stagnated and

1 end users suffer because they are left to choose only from among lower-  
2 quality AVMs such as those that Defendants falsely promote to be  
3 comparable to higher-quality AVMs, such as those produced by VEROS  
4 RES.

5       41. The aforesaid conduct of Defendants has produced antitrust  
6 injury, and unless restrained, will continue to produce at least the following  
7 anticompetitive and exclusionary effects upon competition in interstate  
8 commerce:

9             (a) competition in the development of AVM products and  
10 services has been substantially and unreasonably restricted, lessened,  
11 foreclosed and eliminated;

12             (b) Plaintiffs have been neutralized as significant competitors in  
13 the national AVM market;

14             (c) barriers to entry into the market for AVM products and  
15 services have been raised;

16             (d) consumer choice will be significantly limited as to selection,  
17 price and quality of AVM products;

18             (e) consumer access to VEROS RES' competitive AVM products  
19 will be artificially restricted and reduced and its AVM products will continue  
20 to be excluded from CORELOGIC's popular cascade programs; and

21             (f) the market for development and sale of AVM products will  
22 continue to be artificially restrained or monopolized.

23       42. By reason of, and as a direct and proximate result of the  
24 violations alleged herein, Plaintiffs have been, and will continue to be  
25 immediately and irreparably injured in their business and property by  
26 Defendants' continuing violations. Unless Defendants are restrained by an  
27 appropriate order of this Court, Plaintiffs will continue to suffer an inability  
28 to compete fully and fairly in the AVM market, expand and grow in the AVM

1 market, loss of their revenues, loss of profits they would otherwise have  
2 made, loss of substantial goodwill and reputation normally attached to  
3 profitable enterprises, and a reduction in the value of their businesses as  
4 going concerns. The above-described injury constitutes cognizable  
5 antitrust injury. Defendants' anticompetitive conduct has caused  
6 substantial damages to Plaintiffs in an amount subject to proof at trial.  
7 Plaintiffs have not calculated the precise extent of their past damages and  
8 cannot now estimate with precision the future damages which continue to  
9 accrue and when they do so, will seek leave of the Court to insert the exact  
10 amount of the damages sustained herein.

11 **COUNT TWO**

12 **(Section 7 of the Clayton Act)**

13 **Divestiture of Unlawful Merger/Acquisition**

14 43. Plaintiffs hereby incorporate by reference each and every  
15 allegation contained in Paragraphs 1 through 42 of this Second Amended  
16 Complaint as though fully set forth herein.

17 44. Count Two of this Second Amended Complaint is brought  
18 pursuant to Section 7 (15 U.S.C. § 18) of the Clayton Act alleging that  
19 Defendants' acquisition/merger of BASIS100 and CORELOGIC is unlawful  
20 and has had the effect of substantially lessening competition in the national  
21 AVM market, and/or has had the tendency to create a monopoly. Such  
22 acquisitions have increased market concentration by reducing the already  
23 limited number of viable participants, thereby causing antitrust injury to  
24 Plaintiffs. Increased concentration in the market has enhanced  
25 Defendants' ability to engage in predatory conduct, limit choice, and raise  
26 prices -- all to the detriment of consumers.

27 45. The actual and likely continued effect of Defendant FIRST  
28 AMERICAN's acquisition of BASIS100 and CORELOGIC (and possibly

1 others) has been and will continue to substantially lessen competition and  
2 to create a monopoly in interstate trade and commerce in the Untied States  
3 for the production and sale of products and services utilized in the AVM  
4 market. High and substantial entry barriers exist to successful and  
5 sustained entry into the national AVM market.

6       46. This vertical integration accomplished through an unlawful  
7 succession of acquisitions, including BASIS100 and CORELOGIC, taken  
8 together with the bundled pricing, FIRST AMERICAN's refusal to continue  
9 to supply data to Plaintiff VERO RES, market disparagement of  
10 competing products, and other exclusionary practices, constitutes  
11 predatory or anticompetitive conduct which has the tendency to restrain  
12 and lessen competition.

13       47. Unless the Court orders a divestiture of the assets and  
14 technology acquired from BASIS100 and/or CORELOGIC (pursuant to  
15 Section 16 of the Clayton Act), and/or the reconstitution of an unaffiliated  
16 competitive entity in the market, the following anticompetitive effects are  
17 likely to occur and/or continue to exist:

18             (a) actual and potential competition between Plaintiffs and  
19 Defendants will be lessened or eliminated in the United States and  
20 Defendants will emerge with monopoly or market power;

21             (b) in the long term, prices for AVM products and services are  
22 likely to rise;

23             (c) the incentive to timely innovate and improve AVM products  
24 will be reduced;

25             (d) entry into the AVM market will be deterred; and

26             (e) end users and resellers of AVM products will be deprived of a  
27 choice of AVM vendors and will be forced to deal with Defendants.

# **RELIEF REQUESTED**

WHEREFORE, Plaintiffs request entry of judgment against Defendants as follows:

1. For compensatory damages in an amount subject to proof at trial;
  2. For treble the award of actual damages and recovery of reasonable attorneys' fees and costs/expenses pursuant to 15 U.S.C. § 15;
  3. For post-judgment interest as provided by law;
  4. That Defendants' acquisition of BASIS100 and/or CORELOGIC be adjudged and decreed to violate Section 7 of the Clayton Act and Section 2 of the Sherman Act, and that Defendant FIRST AMERICAN be required to divest itself of the assets acquired from BASIS100 and CORELOGIC and to reconstitute a new and effective competitor in the national AVM market, and for additional injunctive relief to restore or equalize competition in the relevant market; and
  5. Such other and further relief this Court deems just and proper.

Dated: February 7, 2008

BLECHER & COLLINS, P.C.  
MAXWELL M. BLECHER  
DONALD R. PEPPERMAN

By:

**MAXWELL M. BLECHER**  
Attorneys for Plaintiffs VEROUS  
SOFTWARE, INC. and VEROUS  
REAL ESTATE SOLUTIONS,  
LLC

34781.1

## VERIFICATION

2 I, Darius Bozorgi, DECLARE THAT:

3 I have read the foregoing Verified Second Amended Complaint  
4 Seeking Damages and Equitable Relief for: 1) Attempted Monopolization in  
5 Violation of Section 2 of the Sherman Act; and 2) Divestiture for Violation  
6 of Section 7 of the Clayton Act, and know its contents.

7 I am the President and Chief Executive Officer of Veros Software,  
8 Inc., a plaintiff in this action, and am authorized to make the verification for  
9 and on its behalf, and I make this verification for that reason. The matters  
10 stated in the foregoing document are true of my own knowledge, except as  
11 to those matters which are stated on information and belief, and as to  
12 those matters I believe them to be true.

13 I declare under penalty of perjury under the laws of the United States  
14 of America that the foregoing is true, and that this verification is executed  
15 on February 6, 2008, at Santa Ana, California.

  
Darius Bozorgi

PROOF OF SERVICE

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen and not a party to the within action; my business address is 515 S. Figueroa St., 17<sup>th</sup> Floor, Los Angeles, California 90071.

On February 7, 2008, I served the foregoing document described as:  
**[PROPOSED] VEROIFIED SECOND AMENDED COMPLAINT SEEKING DAMAGES AND EQUITABLE RELIEF FOR: 1) ATTEMPTED MONOPOLIZATION IN VIOLATION OF SECTION 2 OF THE SHERMAN ACT; AND 2) DIVESTURE FOR VIOLATION OF SECTION 7 OF THE CLAYTON ACT** on the interested parties in this action pursuant to the Court's electronic filing and service system as follows:

Mailing Information for a Case 8:06-cv-01130-JVS-AN

Electronic Mail Notice List

The following are those who are currently on the list to receive e-mail notices for this case.

Maxwell M Blecher  
mblecher@blechercollins.com

James R Noblin  
rnoblin@blechercollins.com

Robert E Palmer  
RPalmer@gibsondunn.com,ecastillo  
@gibsondunn.com

Erich D Schiefelbine  
eschiefelbine@gibsondunn.com,tstep  
hens@gibsondunn.com

Todd Christopher Bouton  
tcb@paynefears.com,gsquitieri@payn  
efears.com,ir.courtnotices@paynefear  
s.com

Kelly A Roosevelt  
karoosevelt@gibsondunn.com,mpeck  
@gibsondunn.com

Anne A Uyeda  
auyeda@gibsondunn.com,ecastillo@g  
ibsondunn.com

Manual Notice List

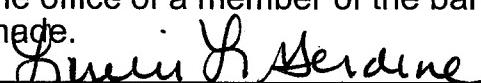
The following is the list of attorneys who are not on the list to receive e-mail notices for this case (who therefore require manual noticing).

Tracy Lorraine Marchant  
Gibson Dunn and Crutcher  
333 South Grand Avenue  
Los Angeles, CA 90071

(By Mail): As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice, it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after deposit for mailing affidavit.

**EXECUTED ON February 7, 2008, at Los Angeles, California.**

(Federal): I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

  
Lorelei L. Gerdine